

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268

RETAIL GROUND AND PARCEL SELECT GROUND  
SERVICE STANDARD CHANGES, 2022

Docket No. N2022-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS  
1-6 OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 5  
(April 25, 2022)**

The United States Postal Service hereby provides its responses to the above-listed questions of the Presiding Officer's Information Request No. 5, issued on April 19, 2022. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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April 25, 2022

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRAY TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 5**

1. Please refer to Response to POIR No. 3, question 5.e.<sup>1</sup> In its response to question 5.e., the Postal Service states "...there is expected to be no operational or cost impacts on RG or PSG volume that is 1) sent to or from domestic locations outside the contiguous United States or 2) packages containing "HAZMAT" from the proposed service standards."
  - a. Please explain why there would be no operational or cost impact on Retail Ground (RG) or Parcel Select Ground (PSG) volume that are excluded from the proposed service standard change if other RG/PSG volume will no longer share the same transport and operational flow as the excluded RG/PSG pieces.
  - b. Does the Postal Service expect there to be underutilization of surface capacity on ground transport of pieces sent to and from outside the contiguous United States and pieces containing "HAZMAT"? If yes, please provide the estimated percentage of underutilization of surface capacity and discuss why there would be no cost impact on RG or PSG volume that are excluded from the proposed service standard change. If no, please confirm that transportation cost of RG/PSG is entirely volume variable.

**Response:**

1.a As described in USPS-T-2, at 15-16, RG and PSG volume shipped to or from domestic locations outside the contiguous United States follows a trajectory that is in large part distinct from that of RG and PSG volume conveyed with contiguous United States. Such pieces arrive at points of departure from which they are dispatched by cargo ship to processing plants that sort and convey them to Post Offices in their destination ZIP codes for delivery. During the leg of their journey that transpires within the contiguous United States, they travel on the NDC network; and they would, after the planned changes come into effect, continue to do so. As the planned changes will leave this process unaltered, they should not have operational effects on RG and PSG volume shipped to or from locations outside of the contiguous United States. (Note,

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<sup>1</sup> Responses of the United States Postal Service to Questions 1-18 of Presiding Officer's Information Request No. 3, April 15, 2022 (Response to POIR No. 3).

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however, that as stated in USPS-T-2, at 16, the Postal Service is exploring whether this proposal could enable the Postal Service to adjust the service standards for pieces shipped to or from locations outside the contiguous United States which traverse the contiguous United States during some portion of their journey.) Regarding cost impacts, please see subpart (b) immediately below.

The planned changes will likewise leave unaltered the transportation network in place for HAZMAT (whether it is shipped by RG, PSG, or another product). Thus, the planned changes should have no operational impacts on the flow of HAZMAT shipped by RG and/or PSG. With regard to the cost impacts on HAZMAT volume shipped by RG and/or PSG, please note that RG and PSG together comprise a small percentage of the package volume shipped by the Postal Service; and that HAZMAT further constitutes a small subset of that already small subset. For this reason, any cost impacts to HAZMAT would prove too insignificant to affect the Postal Service's cost calculations.

1b. As noted above, RG and PSG volume conveyed to or from locations outside the contiguous United States would, for the leg of its journey that transpires within the contiguous United States, remain on the NDC network. As explained in USPS-T-2, at 13-14, at least some HAZMAT shipments (i.e., those shipped to destinations outside their local area) would be routed through NDCs. Insofar as RG and PSG volume subject to the planned changes is diverted from trucks conveying volume that is HAZMAT and/or shipped to or from offshore locations, those trucks would tend to exhibit correspondingly lower levels of capacity utilization. There are, however, at least two mitigating factors to bear in mind. First, while they do indeed represent distinct

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operational flows, the P&DC and NDC networks should not be conceived as mutually isolated, non-overlapping circuitries. Under certain conditions, RG and/or PSG volume subject to the planned changes and RG and/or PSG volume that remains on the NDC network may travel on the same truck. (Note that even in the current state described in USPS-T-2, at 2-5, trucks carry volume from originating Post Offices to originating P&DCs, and from destinating P&DCs to destinating Post Offices. For this leg of the journey, individual trucks can—and do—carry HAZMAT, RG, PSG and FCPS; and the opportunity to do so should arise just as frequently after the planned changes come into effect. Furthermore, some NDCs process FCPS and/or Priority Mail; in such cases, outgoing RG and PSG volume could be merged with other volume on the NDC network—including, potentially, HAZMAT—that is destined for the same location.)

Second, and more importantly, if capacity utilization levels decline significantly in trucks conveying RG and/or PSG volume that is HAZMAT and/or shipped to or from offshore locations, redundant trips could be eliminated; this in turn would stabilize capacity utilization levels without impacting service performance.

Due to the multiple parameters involved—trucks routed to NDCs convey volume other than RG and PSG; these volumes fluctuate day by day; and as mentioned, capacity underutilization can be mitigated by eliminating redundancies—the Postal Service cannot provide an estimated percentage capturing the degree of capacity underutilization that the planned changes may give rise to. As discussed above, RG and PSG together comprise a small percentage of the package volume shipped by the Postal Service; and that HAZMAT further constitutes a small subset of that already

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small subset. For this reason, any cost impacts to HAZMAT would prove too insignificant to affect the Postal Service's cost calculations.

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2. Please refer to Response to POIR No. 3, question 7. The Postal Service states "[t]he capacity utilization break-even point will differ by OD pairs but, in general, as the density increases, the unit surface costs will fall." The Postal Service further states "[a]s volume grows, a greater number of OD pairs will have the density to justify surface transportation because it will be less costly than air transportation." Please provide a timeframe for when the Postal Service expects unit surface costs to fall and for surface transportation to be less costly than air transportation.

**Response:**

The Postal Service does expect that as volume grows, a greater number of OD pairs will have the density to justify surface transportation. It cannot, however, predict the moment in time when this reasonable expectation will materialize. In addition to volumes (including volumes other than RG and PSG), key factors beyond the Postal Service's control and predictive capabilities would bear on such an inflection point, among them the relative costs of air and surface transportation. The picture is further complicated by the fact that the decision matrix described in USPS-T-2, at 16-17, is conducted for each individual lane; and so the combination of variables informing the choice of transportation mode inheres at a level of granularity not reflected in predictions regarding transportation modes in general.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JARBOE TO  
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3. Please see Attachment, filed under seal.

**Response:**

Please see the response filed under seal as part of USPS-LR-N2022-1/NP15.

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4. Please see Attachment, filed under seal.

**Response:**

Please see the response filed under seal as part of USPS-LR-N2022-1/NP15.



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5. Please refer to Response to POIR No. 3, questions 8.b. and 8.c. The Postal Service states “[w]e believe that the benefits identified in response to question 8.a., above, outweigh the risks identified in 8.b. (as well as the small net additional cost), because the benefits are substantial” and then further identifies one of those benefits as “...additional, contribution-positive volume, which, over time, is expected to improve our ability to move more volume to ground and help increase sustainability of the Postal Service.” Given that the planned changes are expected to result in a cost increase and “some diversion from Priority Mail (PM) could occur,” please provide the basis for and the calculation that supports the above-referenced statement, specifically, the contribution-positive volume and the projected volume diversion from PM.

**Response:**

Please see the response filed under seal as part of USPS-LR-N2022-1/NP15.

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6. Please see Attachment, filed under seal.

**Response:**

6.a. Please see the response filed under seal as part of USPS-LR-N2022-1/NP15.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 5**

6. Please see Attachment, filed under seal.

**Response:**

6.b. Please see the response filed under seal as part of USPS-LR-N2022-1/NP14.